

CITY OF CLARKSTON
Asotin County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. City Officials Should Ensure That Reporting Requirements For Federal Financial Assistance Are Met

The city did not report or claim at least \$26,000 of preliminary engineering costs appropriately chargeable to the Highway Planning & Construction Grant (CFDA 20.205), Chestnut Street Project CRP 224. Reports submitted to the grantor were not reviewed for completeness or accuracy by city personnel.

Further, the "Common Rule", Subpart C, Section __.20 (b) (1) states:

Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant

This condition appears to have occurred because no individual at the city had been assigned monitoring responsibilities for the grant requirements.

We recommend the city appropriately assign monitoring responsibilities to ensure that federal reporting requirements are met.

2. The City Should Establish An Adequate System Of Accounting Controls

The city does not have a comprehensive system of accounting controls that facilitates the identification, implementation, and monitoring of compliance with federal and state requirements. We consider the following accounting control weaknesses to be both material and reportable conditions:

a. Journal Vouchers

Journal vouchers (JVs) are inadequately controlled. JVs are not signed by the initiator and there is no indication of authorization or supervisory review. JVs are not numerically controlled or collectively retained in sequence. Many transactions lacked adequate support or explanation.

b. Utility Billing

The utility billing journal, billing journal adjustments, and non-billed report do not evidence supervisory review.

c. Computer Access Controls

Password controls for computer access are inadequate. Passwords were not changed periodically or kept confidential.

d. City Municipal Court

As previously reported, a monthly audit is not performed of traffic citations by any fiscal officer of the city as required by Chapter 46.64 of the *Revised Code of Washington*.

The "Common Rule", Subpart C, Section __.20(b)(3) states:

Internal Control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Failure to comply with federal and state laws or regulations could:

- a. Jeopardize the city's ability to obtain future federal funding.
- b. Allow errors or irregularities to occur and not be detected in a timely manner.
- c. Impair our ability to audit the financial operations of the city.

We recommend the city develop a comprehensive system of accounting controls to ensure that federal and state requirements are identified, implemented, and monitored.

3. The City Should Strengthen The Internal Control Structure For The Issuance Of Claims And Payroll Warrants

The automated accounting system allows claims and payroll warrants to be generated without recording the accounting information in the claims or payroll registers or journals. The internal control structure over the issuance of warrants is insufficient to overcome this weakness in the accounting system. We consider the following weaknesses to be both material and reportable conditions:

- a. Segregation of duties is inadequate for the issuance of claims and payroll warrants in the following areas:
 - (1) There is no evidence of supervisory review of changes made to the master files.
 - (2) There is no evidence that reconciliations are independently performed for voucher or payroll information.
- b. During the period February 1992 through March 1993, the city's claims and payroll warrants were issued using only one signature which was affixed to each warrant by signature stamp. RCW 35A.12.170 requires two signatures on all warrants issued.
- c. Access to the vault is not adequately restricted to authorized personnel. The city's blank warrant stock and current and outdated signature stamps are stored in this vault.
- d. We noted numerous gaps in the sequence of warrants issued during the period February 1992 through March 1993. These gaps were neither monitored nor investigated by management until our audit.
- e. Improper transaction codes were used when voucher, warrant, and treasurer check information was electronically processed.

These conditions increase the risk that errors and irregularities could occur and not be detected by management in a timely fashion.

We recommend the city design, implement, and monitor adequate internal controls for issuing and accounting for warrants.

4. The City Should Establish Adequate Internal Controls Over Cash At The Swimming Pool

We noted weaknesses in the internal control structure for the collecting, receipting, and remitting of the cash received from the operations of the swimming pool. We consider the following internal control weaknesses to be reportable conditions:

- a. Cash collections were not always receipted.
- b. The mode of payment is not always indicated on cash receipt forms.
- c. Prenumbered receipt forms were not properly controlled. These receipt forms were not issued sequentially, and there is no evidence of a supervisory review of the sequential use of these forms.
- d. There was no evidence that cash collected and receipt forms issued were independently reconciled to amounts remitted to the treasurer.
- e. Cash collections and receipt forms issued were not remitted to the treasurer on a timely basis.
- f. Cash overages and shortages are not properly accounted for or monitored by supervisors.

There were no policies and procedures for cash at the swimming pool. These conditions increase the risk that errors and irregularities might occur and not be detected by management in a timely manner.

We recommend the city establish, implement, and monitor adequate internal controls governing the collecting, receipting, and remitting for cash received from the operations of the swimming pool.